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FISCAL IMPACT STATEMENT

LS 6236

BILL NUMBER: SB 258

NOTE PREPARED: Dec 15, 2014

BILL AMENDED:

SUBJECT: Tax Deduction for Ohio River Bridge Tolls.

FIRST AUTHOR: Sen. Grooms

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides an Income Tax deduction to qualified individuals who pay tolls to cross certain Ohio River bridges. It provides that a qualified individual is an individual who resides in Clark County or Floyd County and incurs at least \$100 in nonreimbursed toll expenses to cross the Ohio River bridges in Clark County or Floyd County. It provides that the amount of the tax deduction may not exceed the lesser of: (1) the amount of nonreimbursed tolls paid by the qualified individual during the taxable year; or (2) \$500.

Effective Date: January 1, 2016.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will be required to modify the appropriate tax forms, instructions, and software to implement the provisions within the bill. The DOR should be able to make these changes within its current level of resources.

Explanation of State Revenues: The tax deduction will reduce state individual income tax deposited in the state General Fund beginning in FY 2018. It is estimated that the fiscal impact would be between \$0.6 M and \$1.0 M annually starting in FY 2018. The exact timing of the fiscal impact would depend on the commencement of the tolling under the Ohio River bridge project. The fiscal impact is estimated to grow by 3% to 5% annually thereafter.

Additional Information: Based on studies presented to the Joint Board of the Louisville Southern Indiana Ohio Bridges Project it is estimated that Clark and Floyd County residents will account for between 8 million and 13 million trips across the tolled bridges in 2017. Based on an average toll collection of \$2.50 per vehicle

in 2017, it is estimated that the total deductible toll payments would be between \$20 M and \$32.5 M. The revenue loss estimate assumes an income tax rate of 3.23% for tax year 2017 and after. The revenue impact could increase with the decrease in the rate of toll evasion. It would likely decrease due to an increase in the use of transponders and registration in discount programs. The users of transponders will not pay a surcharge applied to the video capture toll billing. The toll rates will also include a discount program for frequent commuters. In addition, it is estimated that the toll rates will increase by 2.5% annually. The net annual growth in revenue is estimated to be between 3% and 5%.

The Joint Board of the Louisville Southern Indiana Ohio Bridges Project through a toll service provider will impose a toll on certain Ohio River bridges currently under construction between Louisville, Kentucky, and Southern Indiana. The East End Crossing (east side bypass around Louisville and Southern Indiana near Utica), Downtown Crossing (I-65), and Kennedy Bridges (I-65) are going to be tolled. The Bi-State Development Agreement requires that, upon substantial completion of the first new bridge (whichever new bridge is open to traffic first), tolling will commence on such constructed bridge and the Kennedy Bridge at the same time. It is currently anticipated that the East End Crossing will be substantially complete and open to traffic in the last quarter of 2016. It is currently anticipated that the new Downtown Crossing Bridge will be open to traffic in the second quarter of 2016. The fiscal impact analysis here assumes that the toll will begin on January 1, 2017. This would lead to the first tax deduction being claimed in FY 2018.

According to the available information, the toll on a passenger vehicle is estimated to be (1) \$1 under a discount program, (2) \$2 for vehicles with transponders, (3) \$3 for drivers registered under a video capture program, and (4) \$4 for unregistered drivers under a video capture program. Since most of the taxpayers claiming the deduction would be commuting daily to Louisville for business purposes, it is assumed that they would have transponders in their vehicles and they would pay \$2 per bridge crossing. It is estimated that the share of payments under the transponder and discount program will increase at a higher rate in the first five years.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Indiana State Board of Finance.

Local Agencies Affected:

Information Sources: East End Partners, <http://eastendcrossing.com/tolls/>
<http://updates.kyinbridges.com/wp-content/uploads/2013/08/Traffic-Revenue-Study-8-30-13.pdf> ,

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